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Annual Meetings 2011

I welcome the opportunity to make this statement to the IMF-World Bank Annual Meetings on behalf of the Government of Ireland.

We meet here at a time when both developed and developing countries alike face great challenges. Recent events show that there is ongoing turbulence in the global economy. In many ways the past year has again demonstrated just how globally interconnected developments are. We are therefore encouraged by the proactive and adaptive responses being adopted by the IMF, the World Bank and other international financial institutions to respond to shocks including major market fluctuations. Our meetings here in Washington and the exchange of views regarding critical issues for the global economy are very important in advancing understanding and collaboration on policies to promote recovery and renewed economic growth.

Irish Economic Developments

Firstly, I would like to provide an update on developments in the Irish economy. After a number of very difficult years, economic stabilisation is becoming evident, as seen by the most recent economic data for Ireland. However, recovery to date has been uneven. On the one hand, the substantial improvements in both price and cost competitiveness that have taken place in recent years are standing to us, with solid export growth in recent quarters. On the other hand, the unwinding of previously accumulated imbalances is weighing on domestic demand, and will probably continue to do so for some time. On balance, however, the level of activity is increasing this year for the first time since 2007 and tax revenues are once again growing.

After a sharp deterioration in market sentiment, Ireland entered a joint EU/IMF programme of financial assistance last December. The third quarterly review of the Programme has been successfully completed and it is generally acknowledged – by both the official sector and by markets alike – that programme implementation has been strong.

As a result of the budgetary adjustments ongoing since 2008, the public finances continue to stabilise. Details of the medium term fiscal consolidation path are to be published soon providing further greater certainty and direction for householders and businesses alike. Augmenting these developments are significant reforms designed to enhance the credibility and sustainability of the domestic budgetary architecture. The Irish Fiscal Council was recently established and a Fiscal Responsibility Bill will be published before the end of the year.

Indeed, financial market sentiment towards Ireland has improved noticeably of late, as evidenced by the sharp decline in yields on Irish government paper. So while there is

clearly much more to be done, we are on the right path and our key objective is to build on the positive momentum. The recent agreement by the EU to lower the interest rate for Ireland and extend maturities on EU loans is positive news. The resulting improved debt sustainability will assist Ireland in its attempts to regain market access.

Irish Banking Developments

A key part of the process of regaining investor confidence has been the major steps taken in stabilising the Irish banking sector. Significant progress has been made in recent months with the merger of various institutions to form pillar banks competing in the market with other domestic and foreign-owned banking and finance operations, and the strengthening and renewal of management structures in these banks with clearer roles and lines of responsibility.

In July this year, a €24 billion recapitalisation of the banking sector took place. The State's net direct investment was some €16.4 billion with the remaining capital amount provided by Liability Management Exercises with subordinated bondholders in the various banks, anticipated asset sales and the injection of private capital into one major bank.

The banks have also had success in securing term wholesale funding from international banks with some €4.5 billion funded to-date. This is ahead of the second quarter 2013 schedule. At the same time, the programme of asset deleveraging is underway, with significant progress expected to be made this year. It should be noted that more than 80% of the assets, to be disposed of by the end of 2013, are located outside Ireland.

All of these measures are helping to rebuild international investor confidence in the Irish banking sector and we are confident in and committed to the bank restructuring plans.

IMF issues

Turning to matters related specifically to these meetings. The IMF has played a central role in coordinating a global policy response to the financial crisis. In the current climate, the Fund's role as guardian of the International Monetary System, global policy coordinator, and trusted policy advisor and lender to members will be even more crucial. We welcome the important work being done by the Fund on the reform of the IMS, on the reform of the lending toolkit, and on surveillance. In light of the important role the Fund has to play in the global economy and for its membership, we consider it important that the Governance and Quota Reform reforms agreed upon in 2010 are ratified as quickly as possible to ensure the Fund continues to have the capacity required to take meaningful action while also being more representative of the global economy. For its part, Ireland is taking the steps necessary to ensure these reforms are delivered as early as possible.

Development challenges

Finally, turning to development issues, despite the challenges currently facing the economy, Ireland continues to recognise our international development obligations. In particular, combating hunger is a central pillar of Irish foreign policy and of our

development assistance programme. Our priorities are focused on boosting the agricultural productivity of poor smallholder farmers, particularly female farmers; supporting programmes focused on maternal and infant undernutrition; and ensuring political commitment to address food insecurity generally.

Ireland welcomes the World Bank's continued efforts in this regard through various initiatives, such as the Agriculture Action Plan, and its investments in safety nets and other nutrition sensitive social protection programmes. Ireland is a strong supporter of the 'Scaling-Up Nutrition' (SUN) movement and we have increased our support for interventions that reduce maternal, infant and child under-nutrition.

Despite progress in some areas of food security the world faces another famine, this time in Somalia and the Horn of Africa. The crisis has once again shown us that the world needs to put "food first" and effectively address the problems facing fragile and conflict affected states. As is so often the case, either in emergencies or persistent poverty, it is women, and children, who suffer the most.

World Bank Issues

Specifically in relation to the work of the Bank, Ireland welcomes the recommendations contained in the World Development Report (WDR) on Gender. The WDR provides an excellent background for future work on Gender Equality and Ireland in particular welcomes the Bank's commitment to developing a corporate strategic framework for Gender Equality, complete with indicators. We note that the next World Development Report will focus on Jobs which will be a particularly important issue for both middle-income and low-income countries alike.

The World Bank has an ambitious program of operational and internal reforms. We support activities which will enhance development effectiveness and consider accountability to be a key component in this regard. We welcome the corporate scorecard and the World Bank for Results report which are being published for the first time during these annual meetings.

Conclusion

The challenges facing the global economy underline more than ever the need for collective global action through institutions such as the IMF and the World Bank. Ireland will continue to work to ensure that both institutions are enabled to respond to ongoing and emerging challenges in the most effective way.